

CITY OF PLEASANT HILL
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

CITY OF PLEASANT HILL

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CITY OF PLEASANT HILL

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Langerud	Mayor	Dec 2005
Joe Rivas	Mayor pro tem	Dec 2007
Jason Dively	Council Member	Dec 2005
Martha Miller	Council Member	Dec 2005
Joe Rivas	Council Member	Dec 2007
Nicholas Sikes	Council Member	Dec 2007
Gay Wilson	Council Member	Dec 2007
Bob Fagen	City Administrator	
Joni Haag	City Clerk	
Edwin Skinner	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pleasant Hill's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill at June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated August 31, 2005 on our consideration of the City of Pleasant Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 27 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Martens & Company, CPA, P.C.

West Des Moines, Iowa
August 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts decreased 28%, or approximately \$2,282,000, from fiscal year 2004 (FY04). Property tax increased approximately \$661,000 due to increased tax increment financing collections. Bond proceeds decreased \$2,000,000.
- City program disbursements increased 31%, or approximately \$2,350,000, from FY04. Public works, public safety, debt service, general government, and capital projects expense increased approximately \$54,000, \$102,000, \$696,000, \$28,000 and \$2,289,000, respectively. Community and economic development decreased \$828,000.
- The City's total cash basis net assets at June 30, 2005 decreased approximately 50% or approximately \$3,717,000 from June 30, 2004. Of this amount, the City's governmental activities cash basis net assets at June 30, 2005 decreased approximately 61%, or approximately \$3,904,000, from June 30, 2004 and the assets of the business-type activities increased approximately \$187,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detail information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts

receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Fund and 5) the Permanent Fund. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains three Enterprise Funds to provide separate information for the water, and sewer funds, considered to be major funds of the City and the Solid Waste Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$6.36 million to \$2.45 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 459	\$ 373
Operating grants, contributions and restricted interest	574	587
Capital grants, contributions and restricted interest	97	1,043
General receipts:		
Property tax	4,624	3,963
Grants and contributions not restricted to specific purposes	11	23
Unrestricted investment earnings	20	45
Bond proceeds	-	2,000
Other general receipts	172	204
Transfers, net	148	141
Total receipts and transfers	6,105	8,379
Disbursements:		
Public safety	1,137	1,036
Public works	622	568
Health and social services	4	6
Culture and recreation	515	503
Community and economic development	188	1,016
General government	375	347
Debt service	2,044	1,348
Capital projects	5,124	2,835
Total disbursements	10,009	7,659
Increase (decreases) in cash basis net assets	(3,904)	720
Cash basis net assets beginning of year	6,355	5,635
Cash basis net assets end of year	\$ 2,451	\$ 6,355

The City's total receipts for governmental activities decreased by 28 percent (\$2,282,000). The total cost of all programs and services increased by approximately \$2,350,000 or 31.0 percent with no new programs added this year. Receipts decreased primarily due to the City not issuing any new bonds during the year ended June 30, 2005.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$59,000 next year.

The cost of all governmental activities this year was \$10.0 million compared to \$7.66 million last year. However, as shown in the statement of activities and net assets on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$8.879 million because some of the cost was paid by those directly benefitted from the programs (\$459,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$671,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2005 from approximately \$2,003,000 to approximately \$1,130,000, principally due to a decrease in capital grants, contributions and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$4,627,000 in tax (some of which could only be used for certain programs) with cash reserves and with other receipts, such as interest and general entitlements.

Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 737	\$ 966
Sewer	928	795
Solid waste	213	199
General receipts:		
Other general receipts	17	1
Total receipts	<u>1,895</u>	<u>1,961</u>
Disbursements:		
Water	524	666
Sewer	824	878
Solid waste	212	189
Transfers	148	141
Total disbursements and transfers	<u>1,708</u>	<u>1,874</u>
Increase in cash balance	187	87
Cash basis of net assets beginning of year	<u>1,026</u>	<u>939</u>
Cash basis net assets end of year	<u>\$ 1,213</u>	<u>\$ 1,026</u>

Total business-type activities receipts for the fiscal year were \$1.895 million compared to \$1.961 million last year. This decrease was due primarily to the change in the water service being handled directly by Des Moines Water Works starting January 1, 2005 (See Note 5). The cash balance increased by approximately \$187,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by approximately 9 percent to a total of \$0.166 million due to decreased amounts paid to the Des Moines Water Works.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of \$2,149,000, a decrease of more than \$4,206,000 below last year's total of \$6,355,000. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$953,802, a decrease of \$56,164 from the prior year. Most of this decrease was due to increased operating costs.
- The Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City's TIF districts. At the end of the fiscal year, the cash deficit was \$(125,308), a decrease of \$188,235 from the previous year. The decrease was the result of costs incurred on a sewer project before funding was received. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance decreased by \$5,400 to \$13,876. This decrease was due to a decrease in property tax. Bond principal and interest payments decreased by \$190,600.
- The Capital Projects Fund was established to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds. At the end of the fiscal year, the cash balance was \$1,055,490, a decrease of approximately \$3,916,000 from the prior year. Payment for costs of the east trunk sanitary sewer and the north and south city hall complex accounts for most of the decrease.

Individual Major Business Type Fund Analysis

The cash balance of the Sewer Fund increased by \$86,941 to \$413,656 due primarily to increased sewer services.

The cash balance of the Water Fund increased by \$98,225 to \$767,597 due primarily to a decrease in debt service and operating costs.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 24, 2005 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At year-end, the City had approximately \$11,499,000 in bonds and other long-term debt compared to approximately \$14,147,000 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2005	2004
General obligation bonds	\$ 9,865	\$ 11,170
Revenue bonds	1,612	2,933
Capital leases	22	44
Total	<u>\$ 11,499</u>	<u>\$ 14,147</u>

Debt decreased as a result of the City paying its debt obligations according to the retirement schedules and the removal of Des Moines Water Works debt (see Note 5).

The City does not have a general obligation bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$9.87 million is below the City's \$21.57 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Notes 3, 4, 5 and 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 1990 census stands at approximately 36%. Unemployment in the greater Des Moines area stands at 4.7 percent. This compares with the state unemployment rate of 4.6 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The National CPI-U for July 2005 was 195.4, while the midwest urban midsize population areas were at 120.2. For the 12 month period that ended in July, the CPI-U increased 3.4 percent for midwest urban areas with midsize population areas.

These indicators were taken into account when adopting the budget for 2006. Amounts available for appropriation in the budget are \$12,141,859 million, a decrease of 12 percent over the final 2005 budget. Decreases in capital project expenditures are expected to lead this decrease. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to rise by approximately \$0.93 million. Increased wage and cost-of-living adjustments and increases in capital improvement projects represent the largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$0.46 million by the close of fiscal year 2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Haag, City Clerk, Pleasant Hill, Iowa 50327.

Basic Financial Statements

CITY OF PLEASANT HILL

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts			Net (Disbursements)Receipts and Changes in Cash Basis Net Assets		
		Charges for Service and Sales	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 1,137,652	\$ 166,778	\$ 28,114	\$ -	\$ (942,760)	\$ -	\$ (942,760)
Public works	622,069	-	423,284	-	(198,785)	-	(198,785)
Health and social services	3,613	-	-	-	(3,613)	-	(3,613)
Culture and recreation	515,139	18,908	94,297	-	(401,934)	-	(401,934)
Community and economic development	187,838	266,445	8,080	-	86,687	-	86,687
General government	374,468	7,080	20,403	-	(346,985)	-	(346,985)
Debt service	2,043,696	-	-	-	(2,043,696)	-	(2,043,696)
Capital projects	5,124,447	-	-	96,694	(5,027,753)	-	(5,027,753)
Total governmental activities	10,008,922	459,211	574,178	96,694	(8,878,839)	-	(8,878,839)
Business-type activities:							
Water	523,749	736,749	-	-	-	213,000	213,000
Sewer	825,007	928,471	-	-	-	103,464	103,464
Solid waste	212,327	213,273	-	-	-	946	946
Total business-type activities	1,561,083	1,878,493	-	-	-	317,410	317,410
Total	\$11,570,005	\$2,337,704	\$ 574,178	\$ 96,694	(8,878,839)	317,410	(8,561,429)
General receipts:							
Property tax levied for:							
General purposes					1,988,354	-	1,988,354
Tax increment financing					1,845,602	-	1,845,602
Debt service					789,793	-	789,793
Grants and contributions not restricted to specific purpose					11,489	-	11,489
Unrestricted investment earnings					20,033	16,856	36,889
Bond proceeds					-	-	-
Miscellaneous					156,177	-	156,177
Sale of capital assets					15,755	-	15,755
Transfers					147,714	(147,714)	-
Total general receipts and transfers					4,974,917	4,844,059	4,844,059
Change in cash basis net assets					(3,903,922)	186,552	(3,717,370)
Cash basis net assets beginning of year					6,354,975	1,026,058	7,381,033
Cash basis net assets end of year					\$ 2,451,053	\$1,212,610	\$ 3,663,663
Cash Basis Net Assets							
Restricted:							
Streets					\$ 124,518	\$ -	\$ 124,518
Urban renewal purposes					(125,308)	-	(125,308)
Capital projects					1,055,490	-	1,055,490
Debt service					13,876	-	13,876
Other purposes					428,675	21,564	450,239
Unrestricted					953,802	1,191,046	2,144,848
Total cash basis net assets					\$ 2,451,053	\$1,212,610	\$ 3,663,663

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue				Other Nonmajor	
	General	Urban Renewal Tax Increment	Debt Service	Capital Projects	Governmental Funds	Total
Receipts:						
Property tax	\$1,857,154	\$ -	\$ 789,793	\$ -	\$ 131,200	\$ 2,778,147
Tax increment financing collections	-	1,845,602	-	-	-	1,845,602
Other City tax	29,482	-	-	-	-	29,482
Licenses and permits	235,625	-	-	-	-	235,625
Uses of money and property	23,569	8,079	3,652	25,893	3,996	65,189
Intergovernmental	156,550	-	-	40,000	421,550	618,100
Charges for service	158,517	-	-	-	2,950	161,467
Special assessments	-	-	-	19,288	-	19,288
Miscellaneous	186,747	-	-	11,512	3,031	201,290
Total receipts	2,647,644	1,853,681	793,445	96,693	562,727	5,954,190
Disbursements:						
Operating:						
Public safety	998,263	-	-	-	139,389	1,137,652
Public works	219,356	-	-	-	402,713	622,069
Health and social services	3,613	-	-	-	-	3,613
Culture and recreation	515,139	-	-	-	-	515,139
Community and economic development	187,838	-	-	-	-	187,838
General government	374,468	-	-	-	-	374,468
Debt service	-	89,420	1,954,276	-	-	2,043,696
Capital projects	-	-	-	5,124,447	-	5,124,447
Total disbursements	2,298,677	89,420	1,954,276	5,124,447	542,102	10,008,922
Excess (deficiency) of receipts over (under) disbursements	348,967	1,764,261	(1,160,831)	(5,027,754)	20,625	(4,054,732)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Sale of capital assets	1,007	-	-	-	-	1,007
Operating transfers in	25,054	-	1,155,431	1,111,889	-	2,292,374
Operating transfers (out)	(431,192)	(1,952,496)	-	-	(60,972)	(2,444,660)
Total other financing sources (uses)	(405,131)	(1,952,496)	1,155,431	1,111,889	(60,972)	(151,279)
Net change in cash balances	(56,164)	(188,235)	(5,400)	(3,915,865)	(40,347)	(4,206,011)
Cash balances beginning of year	1,009,966	62,927	19,276	4,971,355	291,451	6,354,975
Cash balances end of year	\$ 953,802	\$ (125,308)	\$ 13,876	\$ 1,055,490	\$ 251,104	\$ 2,148,964
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ 13,876	\$ -	\$ -	\$ 13,876
Unreserved:						
General fund	953,802	-	-	-	-	953,802
Special revenue funds	-	(125,308)	-	-	208,082	82,774
Capital projects fund	-	-	-	1,055,490	-	1,055,490
Permanent fund	-	-	-	-	43,022	43,022
Total cash basis fund balances	\$ 953,802	\$ (125,308)	\$ 13,876	\$ 1,055,490	\$ 251,104	\$ 2,148,964

See notes to financial statements.

CITY OF PLEASANT HILL

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2005

Total governmental funds cash balances (page 12)	\$ 2,148,964
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	<u>302,089</u>
Cash basis net assets of governmental activities (page 11)	<u>\$ 2,451,053</u>
Net change in cash balances (page 12)	(4,206,011)
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.	<u>302,089</u>
Change in cash balance of governmental activities (page 11)	<u><u>\$ 3,903,922</u></u>

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds				Internal Service Fund
	Nonmajor				
	Water	Sewer	Solid Waste	Total	Equipment Replacement
Operating receipts:					
Use of money and property	\$ 24,600	\$ -	\$ -	\$ 24,600	\$ -
Charges for service	654,288	899,866	213,273	1,767,427	-
Miscellaneous	57,861	28,605	-	86,466	-
Total operating receipts	736,749	928,471	213,273	1,878,493	-
Operating disbursements:					
Business-type activities	445,387	631,261	212,327	1,288,975	-
Total operating disbursements	445,387	631,261	212,327	1,288,975	-
Excess (deficiency) of operating receipts over (under) operating disbursements	291,362	297,210	946	589,518	-
Non-operating receipts (disbursements):					
Interest on investments	11,159	5,257	440	16,856	2,089
Debt service	(78,362)	(193,746)	-	(272,108)	-
Total non-operating receipts (disbursements)	(67,203)	(188,489)	440	(255,252)	2,089
Excess (deficiency) of receipts over (under) disbursements	224,159	108,721	1,386	334,266	2,089
Operating transfers in	-	103,521	-	103,521	300,000
Operating transfers out	(125,934)	(125,301)	-	(251,235)	-
Net change in cash balances	98,225	86,941	1,386	186,552	302,089
Cash balances beginning of year	669,372	326,715	29,971	1,026,058	-
Cash balances end of year	<u>\$ 767,597</u>	<u>\$ 413,656</u>	<u>\$ 31,357</u>	<u>\$ 1,212,610</u>	<u>\$ 302,089</u>
Cash Basis Fund Balances					
Reserved for meter deposits	\$ 21,564	\$ -	\$ -	\$ 21,564	-
Unreserved	746,033	413,656	31,357	1,191,046	302,089
Total cash basis fund balances	<u>\$ 767,597</u>	<u>\$ 413,656</u>	<u>\$ 31,357</u>	<u>\$ 1,212,610</u>	<u>\$ 302,089</u>

See notes to financial statements.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Hill is a political subdivision of the State of Iowa located in Polk County. It was incorporated in 1956 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Pleasant Hill has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Pleasant Hill has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The City participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

Jointly Governed Organization

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; Polk County Assessor's Conference Board, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Des Moines Area Metropolitan Planning Organization and Polk County Firefighters Association.

B. Basis of Presentation

Government-wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursement exceeded the amounts budgeted in the debt service functions.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(2) CASH AND POOLED INVESTMENTS - CONTINUED

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

June 30,	General Obligation Bonds/Notes	
	Principal	Interest
2006	\$ 1,175,000	\$ 357,985
2007	1,185,000	318,711
2008	1,075,000	278,172
2009	1,095,000	240,037
2010	1,030,000	200,440
2011	1,025,000	163,155
2012	1,025,000	125,545
2013	1,065,000	87,820
2014	215,000	47,550
2015	230,000	38,655
2016	235,000	28,955
2017	160,000	18,890
2018	170,000	13,130
2019	180,000	6,840
	<u>\$ 9,865,000</u>	<u>\$1,925,885</u>

Prior Years' Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2005, the amount of defeased debt outstanding but removed from the General Long-Term Debt amounted to \$1,700,000.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(3) BONDS AND NOTES PAYABLE - CONTINUED

Interfund Loan Agreement

On June 26, 2001, the City entered into an interfund loan agreement between the Sewer Rental Fund and the Tax Increment Fund to pay costs of improvements of \$105,000 with interest at 6.0% per annum. Payments shall be made on June 1 of each year to the extent there are incremental tax receipts available for such purpose which have been allocated or accrued to the Tax Increment Fund. Funds shall be credited first to accrued interest and then to outstanding principal. The outstanding balance of the loan at June 30, 2005 was \$-0-.

(4) JOINT VENTURE REVENUE BONDS

The City is a member of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating and managing regional sanitary sewer facilities.

The City retains an ownership interest in the joint venture. The City's ownership percentage fluctuates from year to year based on the communities joining the WRA and the usage by all the cities each year. The City's ownership percentage at June 30, 2005, is approximately 1.4 percent.

The WRA system is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the WRA Agreements. Contract payments made to the WRA for operations, maintenance and equipment replacement by the City for the year ended June 30, 2005, totaled \$239,108.

The WRA issues long-term debt and the City is responsible for a portion of the debt issued and will annually pay a portion of the bonds and interest due. During the year ended June 30, 2005, the City paid the WRA \$193,746 for debt service payments. \$1,029,593 of prior WRA debt was paid with the 2004A bond issue and with adjustment to the City's debt obligation based on city usage. A schedule of Pleasant Hill's estimated portion of future principal and interest payments related to this debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 133,159	\$ 75,954	\$ 209,113
2007	147,791	71,708	219,499
2008	152,643	65,806	218,449
2009	157,488	58,471	215,959
2010	165,633	50,869	216,502
Post 2010	854,827	457,365	1,312,192
	<u>\$1,611,541</u>	<u>\$780,173</u>	<u>\$2,391,714</u>

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(4) JOINT VENTURE REVENUE BONDS - CONTINUED

On April 27, 2004 the City approved a new amended restated agreement to be effective July 1, 2004. This agreement transfers certain facilities from the City of Des Moines to the WRA and establishes a pro rata ownership interest in the facilities by the City. New bonds are to be issued for the purpose of acquiring the foregoing rights and interests to the transferred assets.

During the year ended June 30, 2005, the WRA issued its 2004A Series Sewer Revenue Bonds. This issue was used to acquire existing facilities, rights and other property comprising the WRA system pursuant to the amended and restated agreement and refunding prior WRA debt. The City's portion of the 2004A bond issue was \$891,014.

On June 1, 2005, the WRA issued Sewer Revenue Bonds, Series 2004B to be used for expansion of the WRA system. The City's portion of this bond issue was \$591,054. However, the amounts due under this issue for each city will vary in the future based on the usage of all of the cities through 2034.

The financial statements for the Des Moines Metropolitan Wastewater Reclamation Authority can be obtained from the operating agency, the City of Des Moines.

(5) DES MOINES WATER WORKS REVENUE BONDS

The City entered into an agreement with the Des Moines Water Works to purchase capacity in the Des Moines Water Works water production and delivery systems. The City joined the Des Moines Water Works in the sale of water revenue bonds for this purpose. The water revenue bonds were issued May 15, 1997, and the City of Pleasant Hill's share of the debt issuance was \$1,920,000.

On January 1, 2005, the City entered into a total service Chapter 28E agreement with the Des Moines Water Works. Under the agreement, the Des Moines Water Works will provide total water service to consumers located in the City service territory and combined billing services to the City's other utility enterprises. The City maintains ownership of its water utility assets except for customer meters. The Des Moines Water Works will pay the City ten semiannual payments of \$50,000 each beginning June 1, 2005. Beginning January 1, 2005, the City's obligation to reimburse the Des Moines Water Works for debt service incurred under the 1996 purchased capacity agreement shall be recovered by the Des Moines Water Works revenue from the residents of the City through City water rates, until the original debt is satisfied in full on December 2017. The City's obligation for debt service payments shall resume and continue until satisfied should this agreement be terminated prior to December 2017.

During the year ended June 30, 2005, the City paid Des Moines Water Works \$78,362 for debt service payments. The City is contingently liable as of June 30, 2005, for \$1,550,000 in bond principal and \$604,039 in bond interest if the current agreement with Des Moines Water Works is terminated.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(6) LEASE PURCHASE AGREEMENTS

The City has entered into various lease purchase agreements to acquire vehicles. The agreements have interest rates of 4.81% per annum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year Ending June 30,	Total
2006	\$ 23,528
Total minimum lease payments	23,528
Less amount representing interest	<u>1,080</u>
Present value of net minimum lease payments	<u>\$ 22,448</u>

Payments under lease agreements for the year ended June 30, 2005 totaled \$23,528.

(7) DEVELOPMENT AGREEMENTS

The City entered into a development agreement dated July 25, 2000 to assist in an urban renewal project. The City agreed to make economic development tax increment payments to the developer for ten years. In exchange, the developer made certain infrastructure improvements within the City's urban renewal area.

The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years and the total amount that will be rebated under the development agreement is not to exceed \$1,428,025, plus interest at 5% per annum for the first two years.

The outstanding balance of this development agreement at June 30, 2005, was \$892,272. The obligation is partially considered a general obligation of the City for purposes of determining the City's debt limit.

The City entered into an agreement with Copper Creek Plaza Cinema, LLC to construct a theater. In recognition, the City agrees to make economic development tax increment payments to the developer for five fiscal years. Payments began December 1, 2001 and end June 1, 2006. During the year ended June 30, 2005, \$89,420 in payments were made to the developer.

The City entered into an agreement with Pleasant Hill Centre LLC to construct a commercial project to be known as Pleasant Hill Centre. In recognition, the City agrees to make economic development tax increment payments to the developer for ten fiscal years, with total payments not to exceed \$1,150,000. Payments are to begin in the year in which incremental property tax revenues are first received by the City. The first payment is expected to be December 1, 2005.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(8) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$109,015, \$96,905 and \$90,144, respectively, equal to the required contributions for each year.

(9) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. Employees who have accrued 30 days of sick leave may elect, only once during the month of July, to sell back, at fifty percent value, any days in excess of 30 days payable during the month of December. Sick leave is not paid out upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 73,400
Sick leave	30,900
Compensatory time	<u>25,800</u>
Total	<u>\$ 130,100</u>

This liability has been computed based on rates or pay in effect at June 30, 2005.

(10) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$51,415 during the year ended June 30, 2005.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(11) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2005 were \$69,200.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(11) RISK MANAGEMENT - CONTINUED

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) EDUCATION FACILITY REVENUE BONDS

On September 12, 2000, the City entered into a loan agreement and issued \$5,000,000 of Education Facility Revenue Bonds to provide funds to loan to Orchard Place - Child Guidance Center Project. The proceeds were to be used for the purpose of financing the costs of acquiring, improving, constructing, furnishing and equipping educational centers. The bonds and related interest are payable solely out of the net earnings of Orchard Place - Child Guidance Center and do not constitute liabilities of the City. Because the bonds are to be paid from other than City resources, the liability is not recorded on the Schedule of Indebtedness (Schedule 2).

(13) IOWA EVENTS CENTER

An agreement was entered into by the City and Polk County, Iowa to commit City funding for the financing of the construction of the Iowa Events Center Project in Des Moines. The City is to provide a grant of \$5,000 per year to be used by the County for the project. The grant is being advanced over 10 years with payments beginning the fiscal year ending June 30, 2004, subject to annual budget allocation and approval.

(14) INDUSTRIAL DEVELOPMENT REVENUE BONDS

On January 8, 2002, the City approved issuance of a total of \$5,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,000,000 is outstanding at June 30, 2005. The bonds and related interest are payable solely from the funds of the borrower (Blood Center of Central Iowa), and the bond principal and interest do not constitute liabilities of the City.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(15) CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$5,222,200. The unpaid contract balances as of June 30, 2005 totaled approximately \$1,283,100 which will be paid as work progresses.

(16) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General Special Revenue:		
	Antennae	\$ 9,271
	Park & Rec Complex	<u>15,783</u>
		<u>25,054</u>
Debt Service	Special Revenue:	
	TIF	1,085,986
	Enterprise:	
	Water	56,757
	Sewer	<u>12,688</u>
		<u>1,155,431</u>
Capital Projects	General	231,192
	Special Revenue:	
	Road Use Tax	35,918
	TIF	762,989
	Enterprise:	
	Water	19,177
	Sewer	<u>62,613</u>
		<u>1,111,889</u>
Enterprise:	Special Revenue	
Sewer	TIF	<u>103,521</u>
Internal Service	General	200,000
	Enterprise:	
	Water	50,000
	Sewer	<u>50,000</u>
		<u>300,000</u>
Total		<u>\$ 2,695,895</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

(17) DEFICIT FUND BALANCE

The Urban Renewal Tax Increment Fund had a deficit fund balance of \$125,308 at June 30, 2005. The deficit balance was a result of construction costs incurred prior to TIF tax revenue being received. The deficit will subsequently be eliminated with future TIF tax revenue.

Required Supplementary Information

CITY OF PLEASANT HILL

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$ 2,778,147	\$ -	\$ -	\$ 2,778,147	\$ 1,893,601	\$ 1,893,601	\$ 884,546
Tax increment financing collections	1,845,602	-	-	1,845,602	1,682,224	1,682,224	163,378
Other City tax	29,482	-	-	29,482	908,846	908,846	(879,364)
Licenses and permits	235,625	-	-	235,625	154,950	202,150	33,475
Uses of money and property	65,189	43,545	-	108,734	30,000	30,000	78,734
Intergovernmental	618,100	-	-	618,100	650,845	1,419,845	(801,745)
Charges for service	161,467	1,767,427	-	1,928,894	4,196,544	2,426,544	(497,650)
Special assessments	19,288	-	-	19,288	-	-	19,288
Miscellaneous	201,290	86,466	-	287,756	129,000	382,200	(94,444)
Total receipts	<u>5,954,190</u>	<u>1,897,438</u>	<u>-</u>	<u>7,851,628</u>	<u>9,646,010</u>	<u>8,945,410</u>	<u>(1,093,782)</u>
Disbursements:							
Public safety	1,137,652	-	-	1,137,652	1,126,599	1,137,799	147
Public works	622,069	-	-	622,069	599,171	677,171	55,102
Health and social services	3,613	-	-	3,613	6,500	6,500	2,887
Culture and recreation	515,139	-	-	515,139	542,031	550,031	34,892
Community and economic development	187,838	-	-	187,838	212,919	212,919	25,081
General government	374,468	-	-	374,468	338,991	387,191	12,723
Debt service	2,043,696	-	-	2,043,696	2,042,682	2,042,682	(1,014)
Capital projects	5,124,447	-	-	5,124,447	3,019,550	7,023,300	1,898,853
Business-type activities	-	1,561,082	-	1,561,082	1,757,567	1,757,567	196,485
Total disbursements	<u>10,008,922</u>	<u>1,561,082</u>	<u>-</u>	<u>11,570,004</u>	<u>9,646,010</u>	<u>13,795,160</u>	<u>2,225,156</u>
Excess (deficiency) of receipts over (under) disbursements	(4,054,732)	336,356	-	(3,718,376)	-	(4,849,750)	1,131,374
Other financing sources (uses), net:	<u>(151,279)</u>	<u>152,285</u>	<u>300,000</u>	<u>(298,994)</u>	<u>-</u>	<u>-</u>	<u>(298,994)</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses:	(4,206,011)	488,641	300,000	(4,017,370)	-	(4,849,750)	832,380
Balances beginning of year	<u>6,354,975</u>	<u>1,026,058</u>	<u>-</u>	<u>7,381,033</u>	<u>1,713,962</u>	<u>7,381,033</u>	<u>-</u>
Balances end of year	<u>\$ 2,148,964</u>	<u>\$ 1,514,699</u>	<u>\$300,000</u>	<u>\$ 3,363,663</u>	<u>\$ 1,713,962</u>	<u>\$ 2,531,283</u>	<u>\$ 832,380</u>

See accompanying independent auditor's notes.

CITY OF PLEASANT HILL

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$4,149,150. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service function.

Other Supplementary Information

CITY OF PLEASANT HILL

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue							Permanent		
	Road Use Tax	Drug Enforcement Agency	Employee Benefit Tax	Avenue of Flags	Park and Recreation Complex	Library	Memorial	Antennae Deposit	Cemetary Perpetual Care	Total
Receipts:										
Property tax	\$ -	\$ -	\$ 131,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,200
Use of money and property	1,734	352	-	28	731	320	15	91	725	3,996
Intergovernmental	421,550	-	-	-	-	-	-	-	-	421,550
Charges for services	-	-	-	-	-	-	-	-	2,950	2,950
Miscellaneous	-	3,031	-	-	-	-	-	-	-	3,031
Total receipts	423,284	3,383	131,200	28	731	320	15	91	3,675	562,727
Disbursements:										
Operating:										
Public safety	-	8,189	131,200	-	-	-	-	-	-	139,389
Public works	402,713	-	-	-	-	-	-	-	-	402,713
Total disbursements	402,713	8,189	131,200	-	-	-	-	-	-	542,102
Excess (deficiency) of receipts over (under) disbursements	20,571	(4,806)	-	28	731	320	15	91	3,675	20,625
Other financing sources (uses):										
Sale of assets	(35,918)	-	-	-	(15,783)	-	-	(9,271)	-	(60,972)
Total other financing sources (uses)	(35,918)	-	-	-	(15,783)	-	-	(9,271)	-	(60,972)
Net change in cash balances	(15,347)	(4,806)	-	28	(15,052)	320	15	(9,180)	3,675	(40,347)
Cash balances beginning of year	139,865	26,407	-	2,000	53,096	20,435	1,121	9,180	39,347	291,451
Cash balances end of year	\$ 124,518	\$ 21,601	\$ -	\$ 2,028	\$ 38,044	\$ 20,755	\$ 1,136	\$ -	\$ 43,022	\$ 251,104
Cash Basis Fund Balances										
Unreserved:										
Special revenue funds	\$ 124,518	\$ 21,601	\$ -	\$ 2,028	\$ 38,044	\$ 20,755	\$ 1,136	\$ -	\$ -	\$ 208,082
Permanent fund	-	-	-	-	-	-	-	-	43,022	43,022
Total cash basis fund balances	\$ 124,518	\$ 21,601	\$ -	\$ 2,028	\$ 38,044	\$ 20,755	\$ 1,136	\$ -	\$ 43,022	\$ 251,104

See accompanying independent auditor’s notes.

CITY OF PLEASANT HILL
Schedule of Indebtedness
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Adjustment	Balance End of Year	Interest Paid
General Obligation Bonds:									
Corporate Purpose	Jul 1, 1998	4.60 - 4.80%	\$ 500,000	\$ 280,000	\$ -	\$ 50,000	\$ -	\$ 230,000	\$ 13,063
Refunding Notes Series 1998	Nov 1, 1998	4.05 - 4.45%	2,355,000	1,910,000	-	210,000	-	1,700,000	80,317
Corporate Purpose	Aug 1, 1999	4.75 - 5.00%	335,000	220,000	-	35,000	-	185,000	10,645
Fire Equipment Notes	May 1, 2000	5.20 - 5.80%	870,000	745,000	-	45,000	-	700,000	41,050
Corporate Purpose	Aug 1, 2000	5.20 - 5.50%	400,000	300,000	-	35,000	-	265,000	15,955
Corporate Purpose	Jul 1, 2001	4.30 - 4.60%	370,000	270,000	-	55,000	-	215,000	11,870
Corporate Purpose and Refunding	Mar 1, 2003	1.95 - 3.60%	1,335,000	1,105,000	-	235,000	-	870,000	27,590
Urban Renewal Corporate Purpose	May 1, 2003	2.90 - 3.45%	4,655,000	4,340,000	-	555,000	-	3,785,000	131,992
Urban Renewal	April 15, 2004	2.70 - 3.80%	2,000,000	2,000,000	-	85,000	-	1,915,000	72,265
				<u>\$11,170,000</u>	<u>\$ -</u>	<u>\$ 1,305,000</u>	<u>\$ -</u>	<u>\$ 9,865,000</u>	<u>\$ 404,747</u>
Revenue Bonds									
Des Moines Metropolitan Wastewater Reclamation Authority (See Note 4)	Various	2.15 - 5.00%	Various	\$ 1,302,605	\$ 1,482,068	\$ 1,173,132	\$ -	\$ 1,611,541	\$ 50,208
Des Moines Water Works (See Note 5)	Jun 1, 1997	5.25 - 5.40%	1,920,000	1,630,000	-	40,000	1,590,000	-	38,361
				<u>\$ 2,932,605</u>	<u>\$ 1,482,068</u>	<u>\$ 1,213,132</u>	<u>\$ 1,590,000</u>	<u>\$ 1,611,541</u>	<u>\$ 88,569</u>
Lease Purchase Agreements									
Dump Truck	Oct 15, 2001	4.81%	\$ 53,663	\$ 21,933	\$ -	\$ 10,709	\$ -	\$ 11,224	\$ 1,055
Dump Truck	Oct 15, 2001	4.81%	53,663	21,933	-	10,709	-	11,224	1,055
				<u>\$ 43,866</u>	<u>\$ -</u>	<u>\$ 21,418</u>	<u>\$ -</u>	<u>\$ 22,448</u>	<u>\$ 2,110</u>

See accompanying independent auditor’s report.

CITY OF PLEASANT HILL

Bond Maturities

June 30, 2005

Year Ending June 30,	General Obligation Bonds													
	Corporate Purpose Notes		Refunding Notes Series 1998		Corporate Purpose Notes		Fire Equipment Notes		Corporate Purpose and Refunding Bonds Series 2003 A		Urban Renewal Corporate Purpose Bonds Series 2003B		Corporate Purpose Notes	
	Issued July 1, 1998		Issued November 1, 1998		Issued August 1, 1999		Issued May 1, 2000		Issued March 1, 2003		Issued May 1, 2003		Issued August 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	4.60%	\$ 55,000	4.05%	\$ 235,000	4.75%	\$ 35,000	5.20%	\$ 50,000	1.95%	\$ 180,000	2.900%	\$ 415,000	5.20%	\$ 40,000
2007	4.65	55,000	4.10	240,000	4.80	35,000	5.25	50,000	2.25	170,000	2.900	430,000	5.25	40,000
2008	4.70	60,000	4.15	185,000	4.85	35,000	5.30	55,000	2.55	80,000	2.900	445,000	5.30	45,000
2009	4.80	60,000	4.20	190,000	4.90	40,000	5.35	55,000	2.85	80,000	2.950	460,000	5.35	45,000
2010	-	-	4.25	200,000	5.00	40,000	5.40	60,000	3.10	85,000	3.125	480,000	5.40	45,000
2011	-	-	4.30	205,000	-	-	5.50	60,000	3.30	90,000	3.250	495,000	5.50	50,000
2012	-	-	4.40	220,000	-	-	5.60	65,000	3.50	90,000	3.350	520,000	-	-
2013	-	-	4.45	225,000	-	-	5.65	70,000	3.60	95,000	3.450	540,000	-	-
2014	-	-	-	-	-	-	5.70	75,000	-	-	-	-	-	-
2015	-	-	-	-	-	-	5.75	80,000	-	-	-	-	-	-
2016	-	-	-	-	-	-	5.80	80,000	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		\$ 230,000		\$1,700,000		\$ 185,000		\$ 700,000		\$ 870,000		\$ 3,785,000		\$ 265,000

See accompanying independent auditor’s report.

CITY OF PLEASANT HILL

BOND AND NOTE MATURITIES - CONTINUED

June 30, 2005

Year Ending June 30,	General Obligation Bonds				
	Corporate Purpose Notes		Urban Renewal Municipal Building Bond		Total
	Issued July 1, 2001		Issued April 15, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2006	4.30%	\$ 55,000	2.70%	\$ 110,000	\$ 1,175,000
2007	4.40	55,000	2.75	110,000	1,185,000
2008	4.50	55,000	2.80	115,000	1,075,000
2009	4.60	50,000	2.85	115,000	1,095,000
2010	-	-	2.90	120,000	1,030,000
2011	-	-	2.95	125,000	1,025,000
2012	-	-	2.95	130,000	1,025,000
2013	-	-	3.15	135,000	1,065,000
2014	-	-	3.30	140,000	215,000
2015	-	-	3.40	150,000	230,000
2016	-	-	3.50	155,000	235,000
2017	-	-	3.60	160,000	160,000
2018	-	-	3.70	170,000	170,000
2019	-	-	3.80	180,000	180,000
		<u>\$ 215,000</u>		<u>\$ 1,915,000</u>	<u>\$ 9,865,000</u>

See accompanying independent auditor's report.

CITY OF PLEASANT HILL

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Fund Types

For the Last Four Years

	2005	2004	2003	2002
Receipts:				
Property	\$ 2,778,147	\$ 2,668,482	\$ 2,159,251	\$ 2,115,987
Tax increment financing collections	1,845,602	1,294,555	956,186	656,321
Other city tax	29,482	13,165	27,825	26,214
Licenses and permits	235,625	189,212	180,061	229,556
Use of money and property	65,189	58,062	29,968	50,952
Intergovernmental	618,100	666,313	1,294,725	965,032
Charges for services	161,467	157,267	124,439	77,767
Special assessments	19,288	72,577	179	250
Miscellaneous	201,290	1,081,837	135,462	125,623
Total	<u>\$ 5,954,190</u>	<u>\$ 6,201,470</u>	<u>\$ 4,908,096</u>	<u>\$ 4,247,702</u>
Disbursements:				
Operating:				
Public safety	\$ 1,137,652	\$ 1,036,255	\$ 980,569	
Public works	622,069	567,577	502,021	
Health and social services	3,613	5,654	5,914	
Culture and recreation	515,139	503,001	502,888	
Community and economic development	187,838	1,015,949	294,959	
General government	374,468	347,348	249,869	
Debt service	2,043,696	1,347,848	1,983,270	
Capital projects	5,124,447	2,835,298	1,699,395	
Total	<u>\$10,008,922</u>	<u>\$ 7,658,930</u>	<u>\$ 6,218,885</u>	

Disbursements prior to 2003 were classified in activities under pre-GASB 34 rules using Community Protection, Human Development, Home and Community Environment and Policy and Administration functions.

See accompanying independent auditor's report.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 31, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pleasant Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Pleasant Hill's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the accompanying Schedule of Findings, we believe item II-A-05 is a material weakness. The prior year's reportable conditions have been resolved except for items II-A-05.

Compliance

As part of obtaining reasonable assurance about whether the City of Pleasant Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pleasant Hill during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA P.C.

West Des Moines, Iowa
August 31, 2005

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

II-A-05 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

II-B-05 Allowances - The City paid allowances based on a combination of hours and events participated in but did not include these allowances in taxable income on the applicable IRS information forms.

Recommendation - The City should include these payments as taxable income to the recipients.

Response - The City will include payments based on hours or events attended in applicable IRS information forms supplied to the recipients on future payments.

Conclusion - Response accepted.

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2005

Part III: Other Findings Related to Required Statutory Reporting:

III-A-04 Official Depositories - A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-04 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

III-C-04 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Joel Huggins, Police Officer, Owner of A.D.A. Mowing	Turf Mowing	\$ 51,250
David Bellnap, Public Works, Owner ADW Hawkeye Storage	Storage Rental	\$ 165

These transactions do not appear to represent a conflict of interest since they were entered into through competitive bidding.

III-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

III-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2005

Part III: Other Findings Related to Required Statutory Reporting: - Continued:

III-H-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-I-04 Revenue Notes - The City has complied with the urban renewal tax increment financing refunding bond requirements for the year ended June 30, 2005.

III-J-05 Financial Condition - The urban renewal tax increment fund had a deficit balance at June 30, 2005 of \$125,308.

Recommendation - The City should not transfer funds out of a fund to other funds until the revenue to make the transfer is received.

Response - The deficit was due to construction costs incurred prior to TIF taxes being received. The deficit will subsequently be eliminated.

Conclusion - Response accepted.

III-K-05 Transfers - The City transferred TIF funds to pay a TIF obligation out of the debt service fund that was not a general obligation of the City.

Recommendation - TIF obligations to developers should be paid out of the TIF fund, unless the developer agreements are designated as general obligations of the City.

Response - We will pay the developer agreement obligation out of the TIF fund in the future.

Conclusion - Response accepted.